Andrew J. Sasso
Vice President, Regulatory & Municipal Relations
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April 10, 2026

via RESS

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Toronto Hydro-Electric System Limited ("Toronto Hydro")
Non-Wires Solution Incentive Mechanism Application
OEB File No. EB-2026-0129

Please find enclosed Toronto Hydro's 2026 Non-Wires Solution Incentive Mechanism Application. This Application is filed in accordance with the Ontario Energy Board's ("OEB") *Benefit-Cost Analysis Framework for Addressing Electricity System Needs*, the OEB's *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives*, and section 11 of the *Distribution System Code*.

As set out in the application, please direct all communications to Elissar El-Hage, Manager, Rate Applications, at regulatoryaffairs@torontohydro.com.

Respectfully,

Andrew Sasso

Digitally signed by Andrew Sasso
DN: cn=Andrew Sasso, email=ASasso@TorontoHydro.com
Date: 2026.04.09 17:43:13 -04'00'

Andrew J. Sasso
Vice President, Regulatory & Municipal Relations
Toronto Hydro-Electric System Limited

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IN THE MATTER OF the *Ontario Energy Board Act, 1998*, Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Toronto Hydro-Electric System Limited for an Order or Orders establishing a new deferral account, effective May 1, 2026 to December 31, 2029.

The Applicant, Toronto Hydro-Electric System Limited (the "Applicant, "Toronto Hydro", "THESL", the "Company", or the "Utility"), is a corporation incorporated under the *Business Corporations Act* (Ontario),[1] and is licensed by the Ontario Energy Board (the "OEB") under licence number ED-2002-0497 to distribute electricity in the City of Toronto.

Toronto Hydro hereby applies to the OEB pursuant to section 78 of the *Ontario Energy Board Act, 1998* (the "OEB Act")[2] and section 11 of the Distribution System Code, as amended, for approval of its proposed Non-Wires Solutions ("NWS") Incentive Mechanism and the associated deferral account effective May 1, 2026 to December 31, 2029.

This Application is prepared in accordance with the OEB's:

1) Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives, issued March 28, 2023 (the "Filing Guidelines");
2) Benefit-Cost Analysis Framework for Addressing Electricity System Needs, issued May 16, 2024;
3) Non-Wires Solutions Guidelines for Electricity Distributors, EB-2024-018, issued March 28, 2024 (the "NWS Guidelines"); and
4) Section 11 – Margin on Payments Incentive Mechanism of the *Distribution System Code*, last revised on November 25, 2025.

[1] RSO 1990, c B.16.
[2] SO 1998, c 15, Sch B.

This application is supported by pre-filed written evidence, which may be amended from time to time.

I. FORM OF HEARING REQUESTED

Toronto Hydro requests that this application proceed by way of a written hearing.

II. PROPOSED EFFECTIVE DATE

The applicant requests that the OEB make its Order effective May 1, 2026. In the alternative, the Applicant requests that the OEB approve the recovery of any difference in NWS Margin-on-Payments Incentive amount between the effective date and the implementation date of the OEB's Decision and Order.

III. SPECIFIC RELIEF REQUESTED

With this application, Toronto Hydro requests:

1) Approval to apply a 25% Margin-on-Payments ("MoP") incentive rate on payments made to its NWS Program participants as proposed in Schedule 3.
2) Approval of a new deferral account as proposed in Schedule 5 in respect of the MoP Incentive.
3) Other items or amounts that may be requested by the Applicant in the course of the proceeding, and such other relief or entitlements as the OEB may grant.

IV. CONTACT INFORMATION

Applicant: Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto, Ontario M5B 1K5

Primary Contact: Elissar El-Hage
Manager, Rate Applications
Phone: (416) 903-1993
Email: *RegulatoryAffairs@TorontoHydro.com*

V. INTERNET ADDRESS

Toronto Hydro's main webpage: *www.torontohydro.com*.

Regulatory documents will be available under the Regulatory Affairs tab: *http://www.torontohydro.com/regulatory-information*.

VI. CERTIFICATION OF SENIOR OFFICER

The Certifications are provided at Schedule 2 of this Application.

DATED at Toronto, Ontario, this 10th day of April, 2026.

OFFICER'S CERTIFICATE – PRE-FILED EVIDENCE

As the Executive Vice President, Chief Strategy and Regulatory Officer of Toronto Hydro-Electric System Limited ("Toronto Hydro"), I hereby certify that the pre-filed evidence submitted in support of Toronto Hydro's 2026 Non-Wires Solution Incentive Mechanism Application (EB-2026-0129), as filed with the Ontario Energy Board is accurate, consistent and complete to the best of my knowledge.

This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing Requirements for Electricity Distribution Rate Applications* (revised December 16, 2025).

DATED this 10th day of April, 2026.

Janene Taylor
Executive Vice President,
Chief Strategy and
Regulatory Officer

OFFICER'S CERTIFICATE – PERSONAL INFORMATION

As the Executive Vice President, Chief Strategy and Regulatory Officer of Toronto Hydro-Electric System Limited ("Toronto Hydro"), I hereby certify that the pre-filed evidence submitted in support of Toronto Hydro's 2026 Non-Wires Solution Incentive Mechanism Application (EB-2026-0129) does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules and the Practice Direction to the best of my knowledge.

This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing Requirements for Electricity Distribution Rate Applications* (revised December 16, 2025).

DATED this 10th day of April, 2026.

Janene Taylor
Executive Vice President,
Chief Strategy and
Regulatory Officer

NON-WIRES SOLUTION INCENTIVE MECHANISM APPLICATION

Toronto Hydro-Electric System Limited ("Toronto Hydro") is requesting OEB approval of: (1) a margin-on-payments ("MoP") incentive applicable to third-party payments made as part of its Local Demand Response ("LDR") program;[1] and (2) a deferral account to record the MoP incentive amounts for future disposition. This is a stand-alone incentive application without a request for rate-funding, in accordance with the OEB's *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* ("Filing Guidelines") and section 11 of the Distribution System Code ("DSC").

Toronto Hydro's industry-leading LDR program procures market-based demand response services to avoid and defer capital investments. The program runs over the 2025-2029 rate period. As of the date of this filing, and as set out in its most recent Custom Incentive Rate-Setting ("CIR") Application, Toronto Hydro forecasts that it will ramp up to 30 MW of demand response capacity over the current rate period, which will defer an estimated $28.7 million and avoid an estimated $15 million in capital work. Pursuant to section 11 of the DSC, this application seeks a MoP incentive applicable to third-party payments made under the LDR program over the remaining years of the current rate term, namely 2026-2029.

1. TORONTO HYDRO'S NON-WIRES SOLUTION ACTIVITIES

1.1. 2025-2029 Local Demand Response Program Funding

On November 17, 2023, Toronto Hydro filed its CIR Application seeking approval from the OEB for changes to the rates it charges for electricity distribution for the five years starting

[1] Toronto Hydro's Local Demand Response is a program under Flexibility Services. For more information see EB-2023-0195, Exhibit 2B, Section E7.2; Exhibit 4, Tab 2, Schedule 9.

on January 1, 2025 ("2025 CIR Application").[2] This application included the LDR program, and the program is funded as a non-wires solution through distribution rates on that basis.[3]

1.2. Benefit-Cost Analysis

The LDR program is Toronto Hydro's flagship Non-Wires Solutions ("NWS") initiative. It was the first utility-driven NWS program in Ontario: funded and deployed successfully since the 2015-2019 rate period. It is designed to help address short- to medium-term capacity constraints at specific transformer stations by leveraging demand response ("DR"), including behind-the-meter and customer-owned distributed energy resources ("DERs"), to manage loading and capacity on the grid.

1.3. System Needs & Alternatives Considered

Pressures such as densification, population growth, and electrification create system capacity constraints that Toronto Hydro needs to address either by building additional capacity, transferring load, or reducing load on the system via demand-side services. Demand-side programs, such as local demand response, work to support conventional growth-driven utility programs including but not limited to:

- **Station Expansions,** which address large-scale, longer term load growth challenges through the provision of new or expanded transformer stations.[4]
- **Load Demand,** which ensures that sufficient capacity is always available to keep pace with day-to-day load growth, preventing the overloading of system assets and ensuring system reliability. This is done through load transfers between station buses to alleviate overloaded buses.[5]

[2] EB-2023-0195, Exhibit 2B, Section E7.2; Exhibit 4, Tab 2, Schedule 9.
[3] EB-2023-0195, Exhibit 2B, Section E7.2; Exhibit 4, Tab 2, Schedule 9.
[4] EB-2023-0195, Exhibit 2B, Section E7.4.
[5] EB-2023-0195, Exhibit 2B, Section E5.3.

The LDR program complements these investments to address capacity constraints on the distribution system by identifying opportunities to defer or avoid station expansions and load transfers when and where it is appropriate.

Toronto Hydro considers both long-term planning (station expansion) and short-term planning (load demand) needs to identify opportunities for NWS support. Factors under consideration when selecting target areas include high levels of projected growth, large customer connections, high volumes of load connections generally, and projections for electrification drivers (e.g. electric vehicle adoption).

A key feature of the LDR program is that it can easily adapt in terms of scope and location to meet pressing system needs. Ideal target areas are those with:

- High levels of load growth expected over the next ten years;
- Large scale developments expected to materialize in the near term; and
- High penetration of large key account customers, some of which have DER capacity that could be utilized to provide grid distribution services.

For the 2025-2029 rate period, the LDR program is targeting six transformer stations ("TS") in Toronto Hydro's service territory: Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS, and Dufferin TS.[6] These stations were selected by reviewing all planned bus-level load transfers and identifying opportunities to defer or avoid capital work where feasible and appropriate. Figure 1 shows the stations targeted for LDR during this rate period, and Table 1 identifies stations targeted for bus-level relief.

[6] Since the 2025 CIR Application, Toronto Hydro updated the list of stations targeted for LDR in response to evolving system conditions and needs, driven by customer connections.

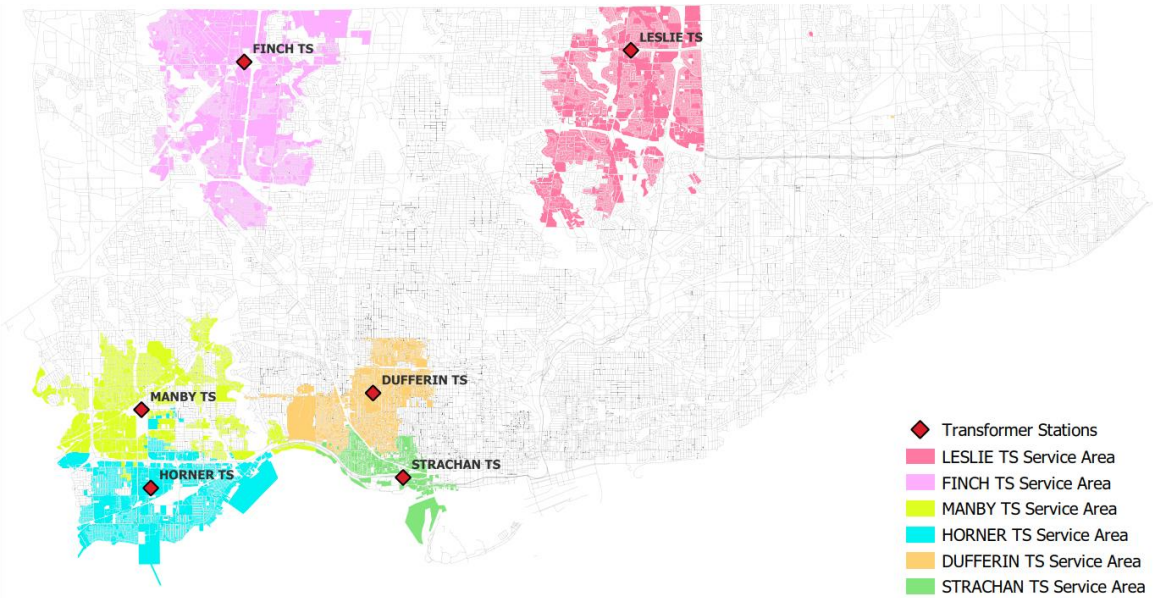

Figure 1: Target Stations for LDR During 2025-2029

Table 1: Load Transfers Anticipated at Target Stations in 2025-2029 Period

Station	Bus	Estimated Load to Transfer (MWs)	Area
Finch	JQ	17	Horseshoe
Leslie	BY	12	Horseshoe
Manby/Horner	QZ	44	Horseshoe
Strachan	A9A10	11	Downtown
Dufferin	A3A4, A5A6	28	Downtown

Based on current forecasts, the load transfers listed above would be necessary by 2030 due to busses that are either currently overloaded or will be by the end of the period. Given the range of load transfers, Toronto Hydro intends to ramp-up its NWS procurement through LDR to 30 MW over 2025-2029. This could help defer or avoid 27% of the total load required to be transferred in these areas.

1.4. Cost-Effectiveness Test

The utility calculated the financial benefits to customers in accordance with the distribution service test ("DST") as outlined in the OEB's *Benefit-Cost Analysis ("BCA") Framework for*

Addressing Electricity System Needs (the "BCA Framework").[7] In accordance with Section 11.3.4 (f) of the DSC, the completed BCA model for the same period as the incentive term, namely 2026-2029, is filed as Schedule 4.

The reference scenario[8] captures the business-as-usual outcome representing the load transfers that would have been required if the LDR program was not in place. In the absence of the LDR program, these capital investments would have been undertaken to address system capacity constraints and serve load growth in the noted areas.

Pursuing LDR at these target stations enables Toronto Hydro to defer approximately $28.7 million of capital into a future rate period and avoid approximately $15 million of capital investment. Toronto Hydro estimates the net present value ("NPV") of these customer benefits over the rate term to be $14 million. The result of the DST for Toronto Hydro's LDR program is shown below in Table 2 and further outlined in Schedule 4.

In completing the BCA, Toronto Hydro updated assumptions as compared to those used for the BCA filed in the 2025 CIR Application. The 2025 CIR Application cost estimates relied on a range of load projected to be transferred across a set of six stations and assumed the percentage of load transfers that could either be avoided entirely or deferred at each station. In this application, Toronto Hydro's outlook is based on up-to-date loading conditions, resulting in more accurate estimates of capacity needs. As such, cost estimates are based on project-by-project specifics accounting for unique complexities at each station, such as the amount of load transferred and the associated civil work required. It should be noted that in order for the costs to be deferred or avoided the LDR capacity needs to be procured annually at the targeted stations. Table 2 below provides the summary of the LDR Program BCA which reflects the above noted assumptions. The summary of the BCA filed in the 2025 CIR Application is provided in Table 3 for comparison.

[7] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024).
[8] Schedule 4, tabs "BCA- Reference" and "Avoidance BCA".

Table 2: Summary of Toronto Hydro's LDR Program Benefit-Cost Analysis (2026-2029) [9]

	Deferred Capital	Avoided Capital
Parameters	$28.7 million in load transfer capital investment deferred for 4 years at an operational cost of $3.8 million	$15 million in load transfer capital investment avoided over the life of the assets (65 years overall) at an operational cost of $1.84 million
Costs	Net present value ("NPV") of the operational costs of the non-wires solution (2026-2029): **$3.23 million** **+** NPV of the revenue requirement associated with the load transfer capital investment to be made in 2030: **$24.56 million** **=** **$27.79 million** NPV Costs	NPV of the operational costs of the non-wires solution (2026-2029): **$1.56 million**
Benefits	NPV of revenue requirement associated with capital investment deferred from 2026-29: **$28.48 million** *Less (-)* NPV Costs: **$27.79 million** *Equals (=)* **$0.69 million NPV Benefits**	NPV of revenue requirement associated with capital investment avoided in 2026 over the 65-year overall Expected Useful Life ("EUL"): **$14.88 million** *Less (-)* NPV Costs: **$1.56 million** *Equals (=)* **$13.33 million NPV Benefits**
Total NPV Benefits = $14.01 million		

[9] Schedule 4, tab "Tables".

Table 3: 2025 CIR Application (EB-2023-0195) - Summary of Toronto Hydro's LDR Program Benefit-Cost Analysis[10]

	Deferred Capital	Avoided Capital
Parameters	$2.50 million in load transfer capital investment deferred for 5 years at an operational cost of $0.71 million	$7.50 million in load transfer capital investment avoided over the life of the assets (48 years) at an operational cost of $4.99 million
Costs	Net present value ("NPV") of the operational costs of the non-wires solution (2025-2029): **$0.57 million** **+** NPV of the revenue requirement associated with the load transfer capital investment to be made in 2030: **$1.88 million** **=** **$2.45 million** NPV Costs	NPV of the operational costs of the non-wires solution (2025-2029): **$4.00 million**
Benefits	NPV of revenue requirement associated with capital investment deferred from 2025-29: **$2.53 million** *Less (-)* NPV Costs: **$2.45 million** *Equals (=)* **$0.8 Million NPV Benefits**	NPV of revenue requirement associated with capital investment avoided in 2025 over the 48-year Expected Useful Life ("EUL"): **$7.59 million** *Less (-)* NPV Costs: **$4.00 million** *Equals (=)* **$3.59 million NPV Benefits**
Total NPV Benefits = $3.67 million		

a. <u>Forecasted Cost</u>

Toronto Hydro is forecasting to procure 30MW of demand response capacity over the 2026-2029. Table 4 summarizes the forecasted annual payments to participants of the LDR program. Capacity payments are calculated by multiplying the total capacity procured by the capacity payment rate of $700/MW-day and the number of business days in the program period (June through September, inclusive).

Table 4: Forecasted Annual Payments to LDR Program Participants ($ Thousands)

	2026	2027	2028	2029
Annual MWs Procured	12	15	25	30
Capacity Payments	$714	$892.5	$1,470	$1,743

[10] EB-2023-0195, Undertaking Response JT5.15, Appendix A (April 22, 2024).

For clarity, LDR capacity is procured annually, and the commitment term from the participants to Toronto Hydro is from June-September each year. Meaning, the quantity of committed capacity re-sets to zero each year. The goal of the program is to grow the annual capacity commitment each year and get to 30 MW by the end of the rate period.

b. BCA Results

The BCA results demonstrate that Toronto Hydro's LDR program is highly cost-effective, yielding net benefits to customers and a DST ratio of costs to benefits of 93%.

1.5. Other BCA Considerations

In addition to the quantified benefits outlined above, the LDR program yields substantial qualitative benefits to customers and the distribution system. These benefits are summarized below.

a. Planning Value

To manage growing electricity demand, electrification, and increased adoption of customer owned technologies, Toronto Hydro continues to innovate grid planning and operations, including considering the feasibility of NWS. A key benefit to customers is the value resulting from deferring costly capital investments through demand management at a time where growth is volatile and uncertain. The LDR program provides Toronto Hydro with greater planning flexibility to assess the urgency and need for long-lived and more costly capital infrastructure, and to manage this uncertainty by deferring capital investment such as load transfers.

b. Innovation and Market Transformation

Toronto Hydro's LDR program is agnostic to the technology or approach utilized by aggregators or customers to deliver the demand response capacity. Participants are compensated based on measured and verified performance. As emerging technologies mature (e.g. vehicle-to-grid, energy storage paired with solar generation, and other smart

devices), they will be able to participate in the local grid if there is demonstrable benefit. Designing and administering programs like LDR and other flexibility services provides valuable price signals to the market and unlocks new distribution-level revenue streams for customers and market participants.

c. Customer Engagement and Participation

Throughout the capacity procurement process for the LDR program, Toronto Hydro engages with commercial and industrial customers and aggregators within the target station areas to educate them about the LDR program and measure their interest in participation. This form of customer engagement is critical in supporting the utility's transition towards operating a more interactive, customer-focused distribution system. It is also vital in helping customers and aggregators understand how they can play a more active role in managing local system needs, strengthening two-way engagement between the utility and its customers, improving transparency around local grid constraints and investment trade-offs, and reinforcing a sense of shared responsibility for cost-effective grid modernization.

d. Enabling Electrification

The LDR program is a proven approach that allows Toronto Hydro to support widespread electrification more quickly, cost-effectively, and efficiently than relying solely on traditional grid infrastructure by:

- creating new revenue opportunities for DERs, including energy storage, encourages customers to adopt and integrate these emerging technologies into their electrification and expansion plans;
- reducing or shifting peak demand enables the local distribution system to accommodate more electrification driven load growth, including electric vehicles, heat pumps, and building electrification;

- alleviating localized capacity constraints without immediately requiring traditional capital infrastructure investments enhances the grid's ability to serve new electrified loads more expeditiously.

2. PROPOSED MARGIN-ON-PAYMENTS INCENTIVE MECHANISM

Toronto Hydro's flexible system capacity through its LDR program is expected to deliver significant net benefits to customers by cost-effectively alleviating constraints at six transformer stations to free up system capacity to serve customers. To support the delivery of this program in alignment with DER integration policy objectives, Toronto Hydro requests approval to implement a MoP incentive, whereby a 25% margin will be applied to the payments made to program participants providing services under the LDR program.

The MoP mechanism outlined in the DSC provides a predictable and proportionate incentive while limiting exposure to performance and forecasting uncertainty. Incentive amounts can be validated through audited program costs, reducing regulatory complexity related to avoided cost forecasts or benefit assumptions.

2.1. Incentive Term

In accordance with section 11.3.2(b) of the DSC, Toronto Hydro proposes the duration of the incentive term to equal the remainder of Toronto Hydro's current rate period, effective May 1, 2026 to December 31, 2029.

2.2. Incentive Amount

In accordance with section 11.3.4(c) of the DSC, Table 5 outlines the forecasted payments to program participants over the incentive term, presented as a total for the term of the incentive, as well as broken down on an annualized basis. Table 6 outlines the NPV of the total payments over the incentive term, as well as the forecast of the NPV of the total MOP incentive as required by 11.3.4.(e).

Table 5: 2026-2029 LDR Program MoP Incentive Forecast ($ Thousands)

	2026	2027	2028	2029	Total
Capacity Payments* ($)	$714	$892.5	$1,470	$1,743	**$4,819.5**
Margin on Payment (%)	25%	25%	25%	25%	
Margin on Payment ($)	$178.5	$223.1	$367.5	$435.8	**$1,204.9**

**Capacity Payments with $700/MW Days = ($700/MW-day x MW x Business Days During Program Year)*

In accordance with Section 11.3.3 of the DSC, Toronto Hydro compared the forecast NPV of the MoP incentive amount ($1.0 million) to the NPV of the forecast program benefit ($14 million).[11] Based on this comparison, shown in Table 6 below, the total proposed incentive represents ~7% of the net benefits of the LDR program, which is well below the 50% upper bound proposed by the OEB. Put another way, 93% of the savings Toronto Hydro is generating through the LDR program will accrue to ratepayers.

Table 6: Summary of MoP Incentive on LDR Program (2026-2029) ($ Millions)

	Description	2026-2029 Total
A	**Net Present Value of Total Net Benefits**	$14
	Total Amount of Capacity Payments to Program Participants	$4.8
	Net Present Value of Capacity Payments to Program Participants	$4.1
	Margin on Payment Incentive ($)	$1.2
B	**Net Present Value of Margin on Payment Incentive**	$1.0
C = B/A	**% of Total Margin on Payment Incentive Compared to NPV of Customer Benefits**	~7%

Based on the above, Toronto Hydro's 25% MoP incentive proposal meets the criteria set out in section 11.3.3 of the DSC, specifically:

a) the NPV of the forecast net benefit is greater than zero;
b) the NPV of the forecast MoP incentive does not exceed 50% of the NPV of the forecasted net benefits.

[11] Schedule 4, tab "01 Summary".

2.3. Incentive Implementation

In accordance with section 2.4 of the Filing Guidelines and Section 11.3.4.(g) of the DSC, Toronto Hydro requests approval to establish a new deferral account: the Margin-on-Payments Incentive Deferral Account (MoPIDA). This account will record MoP incentive amounts based on actual payments made to LDR program participants providing grid services over the 2026-2029 period, in accordance with the LDR program rules.[12]

Toronto Hydro is proposing two sub-accounts: (1) MoPIDA and (2) MoPIDA – Carrying Charges. Respectively, these sub-accounts will record incentive amounts calculated based on actual capacity payments made to program participants; and carrying charges applied at the OEB prescribed rates. The draft accounting order for the requested deferral account is provided in Schedule 5.

Toronto Hydro proposes that the MoPIDA be reviewed and disposed of at its next rebasing application for 2030 rates. In bringing forward this account for disposition, Toronto Hydro will provide substantiating evidence to support these amounts, including actual capacity payments made to program participants, actual MW procured, and actual benefits realized. Toronto Hydro will also share lessons learned which may benefit other regulated entities in the province contemplating engaging in an LDR program.

The MoPIDA meets the requirements of causation, materiality, and prudence as follows:

- **Causation:** The amounts to be captured are not included in base rates. Toronto Hydro does not have a previously approved incentive, and the incentive amount is calculated based on actual payments to customers.

[12] Toronto Hydro Website, *Local Demand Response 2026 Program Rules*, available here: https://www.torontohydro.com/documents/d/guest/local-demand-response-2026-program-rules.

- **Prudence:** Toronto Hydro's proposal for the incentive amount is aligned with Section 11 of the DSC. Toronto Hydro's incentive proposal represents ~7% of the net benefits, which is well below the 50% upper bound proposed by the OEB.
- **Materiality:** Based on current forecasts, the incentive amount is likely to exceed Toronto Hydro's materiality threshold of $1 million. However, as the LDR program is designed to respond to evolving needs and is subject to market-forces, the actual MoP incentive amounts tracked in the account may vary from this forecast. Nonetheless, Toronto Hydro requests permission for the balance to be disposed of regardless of whether the materiality threshold is met in order to align this proposal with the *Framework for Energy Innovation, the Filing Guidelines,* and section 11 of the DSC. Applying the materiality threshold to limit recovery of the incentives tracked in this account would frustrate the purpose of these policies. Therefore, it is not necessary or appropriate to apply the threshold to the future disposition of the MoPIDA. In order to provide sufficient regulatory certainty of being able to recover any prudent incentive amounts that will be recorded in the account irrespective of materiality, Toronto Hydro respectfully requests that the OEB recognize this key regulatory consideration in its approval of the account.

3. CONCLUSIONS

Toronto Hydro supports and affirms the OEB's objective to support near-term progress on the use of customer-owned DERs as non-wires alternatives and inform the broader evolution of the utility remuneration framework. As the sector continues to build experience within the evolving DER market, the utility will continue to consider incentive mechanisms and may propose alternative approaches in future applications.

SCHEDULE 4
"BENEFIT-COST ANALYSIS MODEL"

Please refer to attachment in excel format

MARGIN-ON-PAYMENT INCENTIVE DEFERRAL ACCOUNT ("MoPIDA") – DRAFT ACCOUNTING ORDER

Toronto Hydro requests a deferral account (Account 1508 - Margin-on-Payment Incentive Deferral Account) to record incentive amounts calculated by applying a 25% rate to actual payments made to Local Demand Response participants as part of its Non-Wires Solutions program (EB-2023-0195, Exhibit 4, Tab 2, Schedule 9). The utility will seek disposition of balances at its next rebasing application.

Toronto Hydro will establish the following sub-accounts effective May 1, 2026, to record the amounts described above:

- Account 1508, Other Regulatory Assets, Sub-account Margin-on-Payment Incentive Deferral Account ("MoPIDA")
- Account 1508, Other Regulatory Assets, Sub-account Margin-on-Payment Incentive Deferral Account ("MoPIDA"), Carrying Charges

Carrying charges will apply to the opening balances in the account (exclusive of accumulated interest) at the OEB-approved rate for deferral and variance accounts.

The sample accounting entries for the deferral accounts are provided below:

A. To record the Margin-on-Payment incentive amount earned during the period:
    - DR 1508 Other Regulatory Assets, Sub-account Margin-on-Payment Incentive Deferral Account ("MoPIDA")
    - CR 4080 Distribution Services Revenue

B. To record the carrying charges in Sub-account Margin-on-Payment Incentive Deferral Account ("MoPIDA"):
    - DR 1508 Other Regulatory Assets, Sub-account Margin-on-Payment Incentive Deferral Account ("MoPIDA"), Carrying Charges
    - CR 6035 Other Interest Expense